

Message Text

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63

ACTION EB-07

INFO OCT-01 EA-07 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 AF-06

ARA-06 EUR-12 NEA-10 IO-11 /133 W

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R 260842Z FEB 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 2937

LIMITED OFFICIAL USE JAKARTA 2689

E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: COFFEE

REF: (A) STATE 034044, (B) 75 JAKARTA FAS ID-5053

1. SUMMARY. INDONESIAN DOMESTIC COFFEE PRICES HAVE RISEN MARKEDLY SINCE LAST JULY. NO EVIDENCE OF DELIBERATE EFFORT TO HOLD BACK COFFEE SUPPLIES NOR OF EFFECTIVE EFFORTS TO STIMULATE PRODUCTION AND EXPORTS. END SUMMARY.

2. REGARDING DOMESTIC INDONESIAN COFFEE PRICES: RETAIL TRADE DOMINATED BY PASARS WHERE SALES ARE PRECEDED BY HAGGLING. THEREFORE HARD TO QUOTE REPRESENTATIVE PRICE. DEPARTMENT OF TRADE SAMPLES (NO SERIES AVILABLE) INDICATE THAT IN JAKARTA SECOND WEEK OF JANUARY ROBUSTA RETAILED AT RPS. 500 PER KILO AND ARABICA AT 750, COMPARED WITH RPS. 246 FOR ROBUSTA AND 513 FOR ARABICA LAST JUNE. TRADE DEPARTMENT CURRENTLY QUOTES PRICES TO PRODUCERS AT RPS. 450 PER KILO FOR ROBUSTA (LAMPUNG) AND RPS. 600 FOR ARABICA (ACEH) COMPARED WITH RPS. 188 AND 242 LAST JUNE.

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3. EMBASSY HAS CONTACTED SOURCE OF JAKARTA WHOLESALE PRICE INFORMATION REPORTED FAS 5053 AND LEARNED THERE IS NO CHANGE IN CURRENT FIGURES FROM THOSE IN REFERENCE. EMBASSY UNABLE TO RECONCILE THIS WITH INFORMATION FROM TRADE SOURCE WHICH INDICATES MARKED PRICE INCREASES. FOLLOWING QUOTES OBTAINED FOR SAME GRADES: AS OF 25 JULY 75: I RPS. 375 PER KILO, EK II 345, III EEIN WIB I 425, WIB II 400, AP I 383, AP II 352. AS OF 21 FEBRUARY 76: EK I RPS. 525 PER KILO, EK II 505, EK III 490, WIB I 490, WIB II 644, AP I 536, AP II 515. ACCORDING THIS COURSE ROBUSTA PRICES ARE GENERALLY ABOUT 20 PERCENT HIGHER THAN WIB I. EMBASSY UNDERSTANDS FAS OFFICIAL WILL VISIT INDONESIA 28 MARCH THROUGH 3 APRIL TO LOOK FURTHER INTO COFFEE SITUATION HERE.

4. TRADE AND OFFICIAL SOURCES REPORT NO GOVERNMENT MEASURES OR POLICIES DESIGNED EXPLICITLY TO ENCOURAGE OR TO RESTRAIN COFFEE EXPORTS/PRODUCTION, EVEN THOUGH PROCEDURES IN FORCE HAVE RESTRICTIVE POTENTIAL AND ARE SOMEWHAT BURDENSOME TO EXPORT TRADE.

5. GOI LEVIES TEN PERCENT EXPORT TAX ON COFFEE BEANS, AMONG OTHER UNFINISHED COMMODITIES. WHILE OSTENSIBLE PURPOSE THESE LEVIES IS ENCOURAGEMENT OF PROCESSING (E.G. SOLUBLE COFFEE PRODUCTION) FOR EXPORT, POLICY INITIATIVES TOWARD THEIR REMOVAL HAVE GENERALLY BEEN (FIRMLY) RESISTED ON REVENUE GROUNDS. EXPORTERS ARE FURTHER REQUIRED TO DEPOSIT RUPIAH PROCEEDS OF FOREIGN SALES IN INDONESIAN BANKING SYSTEM. AMOUNTS OF EXPORT TAX AND OF RUPIAH REPATRIATION REQUIREMENT COMPUTED BY REFERENCE TO EXPORT CHECK PRICE SET PERIODICALLY BY DECREE. IT THEORETICALLY APPROXIMATES REALIZED FOB EXPORT PRICES. RECENT CHECK PRICES HAVE VARIED AS FOLLOWS: 1 APRIL - 31 AUGUST 75: ROBUSTA US \$0.65 PER KILO, ARABICA \$0.80; 1-30 SEPTEMBER: ROBUSTA \$0.90, ARABICA \$1.10; 1 OCTOBER 75 - 19 FEBRUARY 76: ROBUSTA \$0.95, ARABICA \$1.15; 20 FEBRUARY - 31 MARCH: ROBUSTA \$1.10, ARABICA \$1.40.

6 FURTHER REQUIREMENT WITH RESTRICTIVE POTENTIAL IS LICENSING OF EXPORTERS, OSTENSIBLY TO KEEP UNDERFINANCED LIMITED OFFICIAL USE

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OR ILL-QUALIFIED EXPORTERS OUT OF THE TRADE AND PROVIDE A MECHANISM TO ASSURE ADEQUATE DOMESTIC SUPPLIES. EXPORTERS MUST BE LICENSED BY DEPARTMENT OF TRADE, FROM WHICH THEY OBTAIN AUTHORITY TO EXPORT DETERMINED QUARTERLY AMOUNTS. SO FAR AS WE KNOW, NO HISTORY OF USING THIS SYSTEM TO RESTRICT EXPORTS IN PRACTICE SINCE SUSPENSION OF ICO QUOTAS. SUPPLEMENTAL ALLOCATIONS CAN BE OBTAINED ON PROPERLY SUPPORTED APPLICATION (ACCOMPANIED

GENERALLY, WE UNDERSTAND, BY UNDER-THE-TABLE PAYMENT).

7. U.S. \$1.00 BUYS RPS. 414.5.
NEWSOM

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Message Attributes

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